REMARKS

1.   Applicant thanks the Examiner for his generous assistance provided during a telephone interview on August 2, 2006 and in a further telephone conversation on August 15, 2006.   During said interview, the Examiner advised Applicant that explaining the manner in which the claimed transition metric was determined would be helpful in describing the claimed invention with greater clarity. Additionally, the Examiner advised the Applicant that the claimed model should be more fully described to convey that it is driven by the actual claims data. Responsive thereto, Applicant amended the claims, where necessary, to include the subject matter of claim 2, cancelling claim 2 from the application. The Examiner's supervisor expressed additional concerns, among them:

the "storing" step in claim 1 and the "determining a sequence" steps of claims 1, 3 and 8 are not clearly described;

the possibility of expressing the method of calculating the transition metric as a formula; and

that the form of some of the independent claims raises possible issues regarding utility of the claimed invention under 35 U.S.C. § 101.

2.   (a)   Claims 1-2, 7, 15, and 19 stand rejected under 35 U.S.C. §103(a) as being unpatentable over (Holloway) U.S. 5,253,164 in view of Pendleton and further in view of Hogden. Applicant respectfully disagrees; nevertheless, Applicant has amended the independent claims as described below.

The present amendments are made for the sole purpose of characterizing the invention with greater clarity, with the goal of advancing prosecution of the Application, and they are not to be taken as Applicant's concession to the Examiner's position. Applicant expressly reserves the right to pursue patent protection of a scope that Applicant reasonably believes it is entitled to in one or more continuing applications.

Applicant again states for the record that it believes the current rejection is improper because the Examiner has failed to establish a *prima facie* case of obviousness. Applicant maintains its position that the Examiner has used impermissible hindsight constructions in rejecting the claims under 35 U.S.C. § 103(a). Although the Examiner

attempts to rebut Applicant's argument by citing *In re McLaughlin*, Applicant notes that even the holding of *McLaughlin* requires that the prior art make some suggestion of the claimed invention.

In a previous response, for example, Applicant amended the claims to describe transitions between healthcare states, arguing that the combination of references failed to teach or suggest the use of the probability of transitions from one healthcare state to another to determine the probability of a sequence of states. Although the Examiner admitted that Pendleton did not teach the use of transitions between healthcare states, he posited that Pendleton nevertheless suggested the transitions, because "the Examiner considers the number or score for each claim line mentioned above as the information necessary to compute a transition sequence used in calculating a transition metric for transition between states." However, the suggestion must be based on the prior art or the knowledge generally available to the ordinarily-skilled practitioner, and not on the Examiner's own supposition, guided only by the invention. Thus, in the present case, even *McLaughlin* offers no shelter. Applicant also notes that the issue of improper hindsight has been repeatedly raised.

In spite of the above, Applicant amends the claims to address the concerns raised by the Examiners.

Claims 1, 3 and 8 are amended to make the "storing" and the "determining a sequence" steps clearer. Minor modifications have been made to the language and punctuation of the claims, and they have been re-formatted so that they are easier to read. No new matter has been added by way of these amendments.

In order to describe both the model and the calculation of the transition probability more clearly, claims 1, 3, 9 and 15 are amended to incorporate a portion of claim 2 and a portion of claim 8, wherein the transition probability is calculated by determining the ratio of the frequency count of a transition from a first state to a next state, to total count of transition for the first state to all other states in the reimbursement claims. Although Applicant's position is that it is unnecessary to insert an actual formula for calculating the transition metric in the claims in order to describe it in some detail, Applicant believes that such formulas are implicitly described in the specification because the steps for

calculating the transition metric are clearly described. No new matter is added by way of these amendments.

The claims have been amended as necessary in order to address the Examiners' concerns regarding the utility of the claims:

Claim 1 has been amended to include a step of: <u>outputting a transition metric based on the transition probability of each sequence.</u> Support for the amendment is found in claim 9. Claim 9 has been amended to describe a step of "<u>generating</u> a profile of the entity <u>that includes</u> a transition metric based on the transition probability of each sequence." No further amendments are deemed necessary in this regard.

Additional amendments are made to correct various informalities and to improve clarity of the claims. No new matter is added by way of these amendments.

While Applicant believes that the above amendments place the application in condition for allowance, Applicant respectfully requests a telephone interview should the Examiners determine that there remain issues that require resolution prior to allowance.

CONCLUSION

Based on the foregoing, the Application is deemed to be in condition for allowance. Applicant therefore requests reconsideration and prompt allowance of the claims. Should the Examiner have any questions regarding the Application, he is invited to contact Applicant's attorney at 650-474-8400.

Respectfully submitted,

Michael A. Glenn
Reg. No. 30,176

Customer No. 22862